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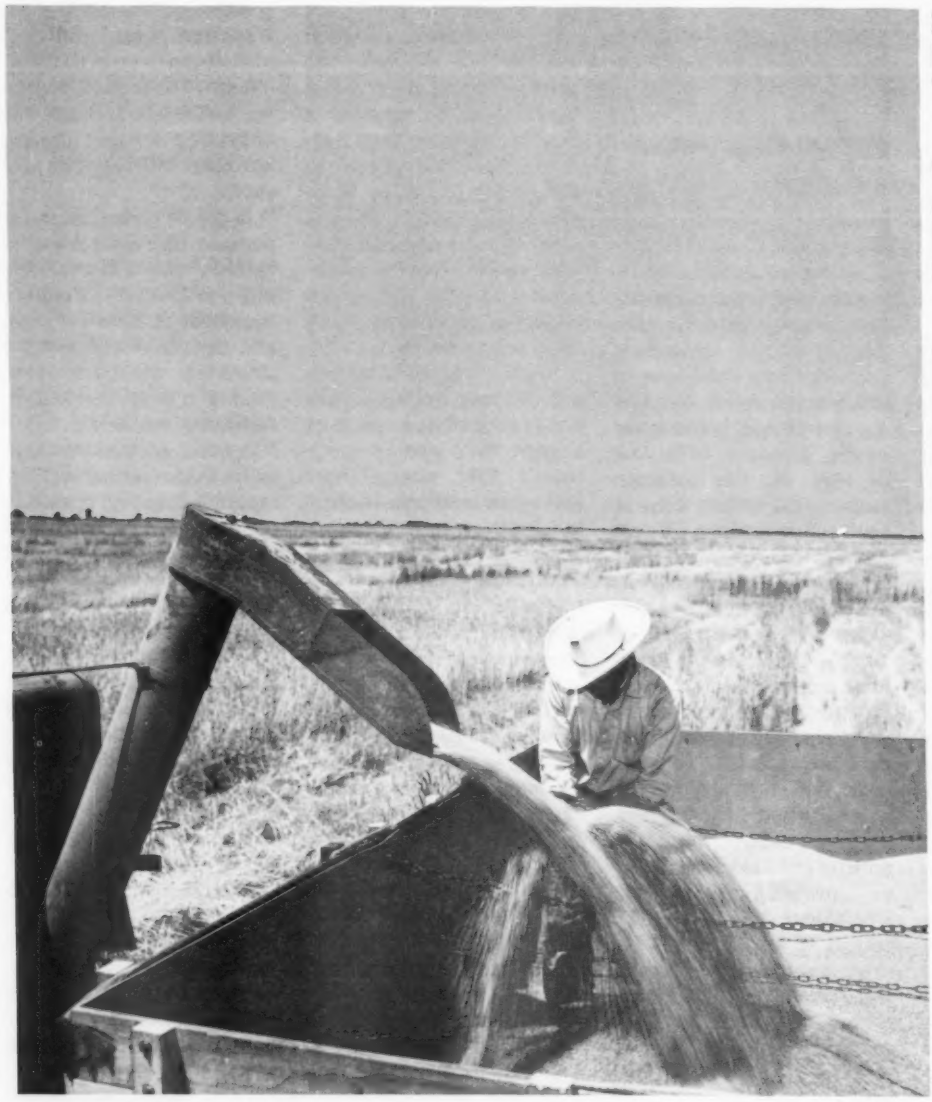

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U.S. Now Riding High In Fats, Oils Trade

By Alan E. Holz

With oilseed production down in some leading U.S. competitors—and foreign demand unusually strong—U.S. exporters of fats, oils, and oilbearing materials are enjoying an unusually good year. U.S. exports of these products are likely to reach a new high in 1978, prices have strengthened in recent months, and several unexpectedly large sales have been made to foreign buyers.

Overhanging the market in 1978/79, however, is the likely prospect of increased competition and/or declining purchases of oils and oil-bearing products in response to recent price gains. Crops to watch in the developing situation include Brazilian soybeans, Soviet sunflowerseed, Indian and Senegalese peanuts—the most recent outturns of which came in much lower than expected. (For the first three, this means the 1977 crops, while for Brazil it is the crop harvested in April-May 1978.) With favorable weather, all these crops could rebound sharply in 1978/79.

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And always important is Malaysian palm oil, output of which has expanded steadily for more than a decade to capture an increasing share of world trade.

Current situation. Last year's bumper U.S. soybean crop of 46.7 million metric tons has given U.S. exporters an ample supply of soybeans and oil at a time when availabilities from foreign competitors are limited. As a result, the U.S. Department of Agriculture has raised its estimates of U.S. exports of fats, oils, and the oil equivalent of oilseeds during calendar 1978. As of May 24, the estimate stood at 6.4 million tons—a new record—compared with 5.8 million estimated last November and 5.9 million shipped in calendar 1977.

About 4 million tons of these exports are expected to be in the form of soybean oil and the oil equivalent of soybeans—up about 11 percent from the 1977 volume. Last year, U.S. exports of soybeans and oil accounted for 22 percent of world exports of all oils, fats, and the oil equivalent of oilseeds. And in 1978 this share is expected to grow further to over 23 percent.

(It should be noted that about three-fifths of this year's growth is in the form of beans as such. Expansion has occurred despite declines in movements of soybeans to the Soviet Union, largely reflecting expanded shipments to Western Europe.)

In contrast, USDA's estimate of foreign exports (oil-equivalent basis) has been lowered to 10.9 million tons from the 11.6 million estimated last November. If realized, this would result in a gain of 330,000 tons from last year's shipments of 10.6 million tons.

This reduced forecast for competitors' exports stems in part from the shortfall in Brazil's 1978 soybean crop, which is down about 2 million tons from last year's 12.2 million tons as a result of prolonged drought. The smaller crop means that Brazilian soybeans exports may fall by more than two-thirds from last year's' to around 800,000 tons. Shipments of meal and oil from Brazil's 1978 soybean harvest also will decline somewhat—despite increased emphasis recently on soybean-product exports.

Similarly, supplies of peanut oil from Senegal have been reduced as a result of a poor 1977 peanut crop. India's 1977 peanut harvest recovered only slightly to 5.5 million tons following the small 1976 harvest of 5.3 million tons.

The Soviets continued to have trouble with their sunflowerseed crop, last year recording a less than expected rebound from the drought-reduced outturn of 5.3 million tons in 1976. At 5.9 million tons, the 1977 Soviet sunflower crop also was 600,000 tons below the original USDA estimate.

And world palm oil trade may fall somewhat below the original USDA estimate of 2.5 million tons as a result of drought and increased refining losses encountered during Malaysia's recent expansion of processed palm oil exports.

Malaysia, of course, has been one of the driving forces behind the upswing in foreign fats and oils supplies. In recent years, its palm oil output has trended upward at an annual rate of 165,000 tons, and further growth is expected throughout the 1980's, with virtually all of the increase moving into export.

Adding prospective foreign trade to estimates for U.S. exports suggests that world trade in fats and oils will rise to 17.3 million tons, oil basis, in 1978—860,000 above exports in 1977. This continues the above-trend growth in world fats and oils trade that began with a 2-million-ton jump in trade between 1975 and 1976. During 1965-75, world fats and oils trade trended upward by only 410,000 tons per year.

In the past year, trade expansion has been fostered by large imports of vegetable oils into India, the People's Republic of China (PRC), and certain Middle Eastern countries, alongside continuing strong demand in traditional markets.

In India, another less than expected peanut harvest and rapidly increasing domestic demand have curbed once-large exports of peanut oil and prompted imports of other vegetable oils. During 1976/77 (November-October), the country turned to foreign suppliers for some 770,000 tons of vegetable oil, and imports are continuing to expand in the current marketing year.

The United States is expected to supply at least 200,000 tons of soybean oil to this market in 1977/78 (October-September) on the heels of record sales there last season of 252,200 tons. In contrast, the United States shipped only 15,800 tons of vegetable oil to India

during 1975/76. However, a larger share of India's 1977/78 oil imports will be in the form of palm oil, largely from Malaysia.

In the PRC, reduced oilseed production last year, plus increasing demand, led to calendar 1977 imports of 200,000-250,000 tons of soybean oil—largely from Brazil but also including 61,800 tons from the United States. Continued oil imports are seen for 1978, despite the fact that the country may return to its traditional net exporter role for soybeans.

Among the Middle Eastern countries, Iran in particular is a strong market for vegetable oil. In calendar 1977, U.S. exports of soybean oil to Iran totaled 49,800 tons.

Future growth in oil demand from these and other countries could cause world fats and oils trade to continue substantially above the annual growth trend of the 1965-75 period.

Price patterns. Recent prices for vegetable oil have been up, with soybean oil registering a particularly strong showing. The question now, however, is: How much further can soybean oil prices climb given the current spreads with other vegetable oils and the possibility of ample world supplies next season?

Following a 40 percent decline between May and October 1977, prices for soybean oil had recouped about three-fourths of their loss as of May 1978. The Decatur price for U.S. soybeans that month averaged $627 per ton, compared with $414 in October 1977 and the May 1977 peak of $690.

Among other vegetable oils, only peanut oil is selling above last season's high, reflecting crop shortfalls in Senegal and Argentina. The price for sunflower oil has weakened relative to soybean oil, reflecting sharply increased movements of U.S. 1977-crop seed for crushing in Europe. Palm oil is less competitively priced than a year ago, with the result that U.S. imports of it have lessened, while fish oil is heavily discounted relative to soybean oil despite production problems in Peru.

Soybean meal prices have not advanced as much as oil prices in recent months. Consequently, soybean oil now accounts for over 40 percent of the soybean product value—the highest level since the fourth quarter of 1974/75.

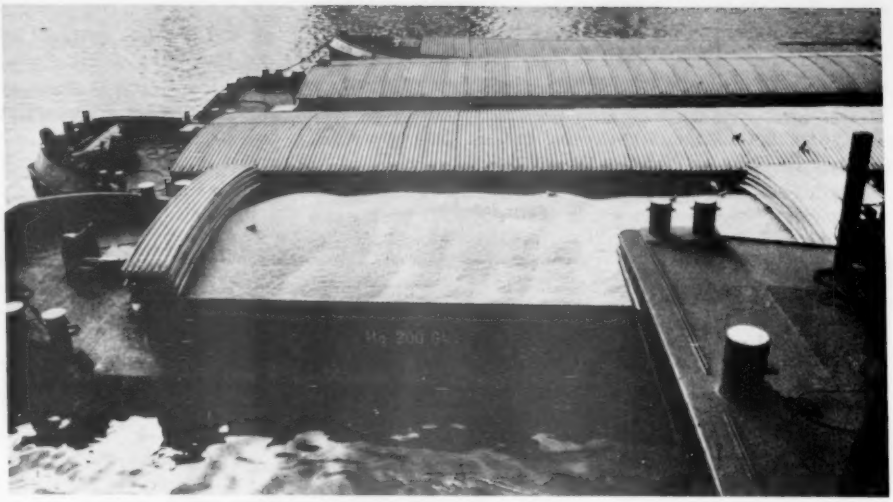
Since 1960, oil's share of the soybean product has ranged from a low of just over 20 percent in the third quarter of 1972/73 to a high of more than 56 percent during the fourth quarter of 1973/74. The downlegs of these cyclical movements tend to be extended and gradual, while uplegs appear to be steep, usually running their course in only 4 or 5 quarters.

The current percentage of product value for soybean oil, at 43 percent, has been exceeded only about one-fourth of the time since 1960.

Another basis for comparison is between vegetable oil and grain prices, since both products are sources of calories for food and feed. Since 1960, the soybean oil/corn price ratio has fluctuated between a low of 3.55 to 1.0 in the third quarter of 1975/76 and a high of 7.5 to 1.0 in the third quarter of 1976/77. Currently, this ratio stands at 6.8 to 1.0—a level that in the past has not been sustained for long.

The implication is that soybean oil prices relative to corn will probably decline from the current level by the third quarter of 1978/79.

Obviously, any significant change in the yield ratio per hectare of soybeans and corn, or significant changes in the planted areas of these



Above, barges loaded with U.S. soybeans. Left, harvesting U.S. soybeans. Strong world demand—and limited availabilities from U.S. competitors—is pushing up export demand for U.S. oilseeds and oil.

and other oil crops could tilt future expectations for this indicator. For instance, significant increases in 1978 crops of U.S. soybeans and Canadian rapeseed—as indicated by farmers' intentions—would tend to weaken the ratio.

On the other hand, strong gains in U.S. exports influenced by the shortfall in Brazil's 1978 soybean crop would tend to support the ratio.

Outlook. Major factors likely to influence trade in the future include:

- U.S. farmers' willingness to sell soybeans, as influenced by planting prospects and growing conditions for the 1978 U.S. crop;
- Actual outcome of the 1978 soybean harvests in Brazil and Argentina, as well as potential changes in their export sales policy;
- Possible additional purchases of soybeans by the Soviet Union or soybean oil by the PRC in coming months.

If Brazil's soybean production falls short of the approximately 10 million tons currently estimated for 1978, U.S. exports of soybeans and products could exceed current expectations in the remaining months of 1977/78 as well as in the first half of 1978/79.

U.S. monthly data through April on a seasonally adjusted basis indicate somewhat larger domestic disappearance and exports of soybeans and products than the estimates made by USDA. However, current price relationships offer no incentive for customers to build stocks, so exports could tail off, particularly if some contracts are switched to 1978/79 owing to shipping delays now being experienced.

Looking beyond the current season to 1978/79, the April U.S. soybean planting intentions of 26 million hectares point to a 1978 U.S. soybean crop of between 42 million and 52 million tons. This compares with 46.7 million tons harvested in 1977.

During 1965-77, variations in U.S. soybean area have accounted for a larger share of the annual production change than yields have. Historical trends in soybean yields suggest a potential swing factor here of roughly 200 million bushels or 2.6 million tons.

Assuming that the U.S. soybean carryout on August 31 will be significantly above that of last year, total U.S. soybean supplies in 1978/79 could be in the range of 47-56 million tons, against 49.5 million in 1977/78.

Thus, if domestic demand for soybean oil continues to

Key Changes in U.S. Exports of Soybeans and Oil Through April 1977/78, Compared with 1976/77 [1]

[In 1,000 metric tons]

Country	Soybeans	Oil	Total as oil
Bangladesh	0	17	17
Canada	−158	2	−26
Colombia	0	9	9
Denmark	144	0	25
Ecuador	0	8	8
Egypt	20	4	8
Germany, Fed. Rep. of	21	8	12
India	0	−11	−11
Indonesia	113	0	20
Iran	0	−3	−3
Israel	46	2	10
Italy	86	0	15
Japan	228	0	40
Netherlands	552	11	109
Pakistan	0	5	5
People's Rep. of China	47	77	85
Peru	9	11	13
Republic of Korea	47	0	8
Romania	28	0	5
Soviet Union	−517	0	−92
Spain	205	0	36
Switzerland	−89	1	−15
United Kingdom	155	1	28
All others	453	19	101
Total	1,390	161	407

[1] September-August marketing year for soybeans; October-September for soybean oil. Compiled from U.S. Bureau of Census data.

U.S. and World Fats and Oils Production and Trade, 1965-78

Item	Exports		Production		Exports as a proportion of production
	Quantity	Share of total	Quantity	Share of total	
	Million metric tons	*Percent*	*Million metric tons*	*Percent*	*Percent*
1965:					
U.S.	3.23	32.8	8.44	23.9	38.3
Foreign	6.63	67.2	26.91	76.1	24.6
World	9.86	100.0	35.35	100.0	27.9
1970:					
U.S.	4.32	35.9	10.31	25.8	41.9
Foreign	7.72	64.1	29.68	74.2	26.0
World	12.04	100.0	39.98	100.0	30.1
1975:					
U.S.	4.19	30.7	10.13	21.8	41.4
Foreign	9.47	69.3	36.41	78.2	26.0
World	13.66	100.0	46.54	100.0	29.3
1976:					
U.S.	5.04	32.0	12.13	24.4	41.5
Foreign	10.71	68.0	37.67	75.6	28.4
World	15.75	100.0	49.78	100.0	31.6
1977:					
U.S.	5.89	35.8	11.09	23.2	53.1
Foreign	10.56	64.2	36.71	76.8	28.8
World	16.45	100.0	47.82	100.0	34.3
1978 [1]					
U.S.	6.42	37.1	13.55	26.0	47.4
Foreign	10.89	62.9	38.54	74.0	28.3
World	17.31	100.0	52.10	100.0	33.2

[1] Forecast.

grow—with some downturn, as anticipated, in exports—supplies should be ample. Furthermore, the U.S. carryout of soybeans on August 31, 1979, would probably be substantially above the low 2.8 million tons of 2 years earlier.

Export competition from Canada also could stiffen in 1978/79 since farmers there recently indicated that 1978 rapeseed and soybean plantings would be substantially above last year's. Given normal yields, this would likely result in a large export gain—and rapeseed contains more than twice as much oil per ton as soybeans.

In Brazil, some dramatic changes could occur next year. Favorable prices and further area expansion seem likely to boost the country's 1979 soybean output considerably—perhaps to around 13 million tons or more. Quality of this year's seed for planting may tend to restrict yields, but, on the other hand, recovery from this year's drought could boost yields sharply.

Also, the recent dry weather could lead to reduced wheat plantings in areas normally double cropped with soybeans. On land where wheat has not been planted, soybean yields should exceed those obtained from double cropping.

In Malaysia, palm oil output will continue to grow, and that growth must be exported. Whether U.S. imports of palm oil expand will be determined by price relationships relative to competing commodities such as soybean oil.

In the Soviet Union, sunflowerseed output probably will not achieve the planned level of 7.5 million tons in 1978, necessitating continued imports of oilseeds and products. Future purchases may be more frequent and in smaller chunks than in the past although the volume could continue to expand.

In India, officials have indicated that there will continue to be a sizable need for vegetable oil imports. Therefore, even if Indian growing conditions are favorable, large imports of soybean, palm, and rapeseed oils are anticipated. And India has become a cash customer, reflecting an improved foreign exchange position.

The PRC remains an enigma. Although there already have been sizable gains in imports by this country and per capita consumption levels are still low, future growth could be irregular, based on political considerations and foreign exchange limitations. □

Current World Oil Production and Trade Forecasts with 1977 Comparison and Original Forecasts

[In 1,000 metric tons]

Item	1977	1978		
		Nov. 1977 estimate	May 1978 estimate	Change from Nov.
Production:				
U.S.	11.1	13.6	13.6	0
Foreign	36.7	39.8	38.5	−1.3
World	47.8	53.4	52.1	−1.3
Exports:				
U.S.	5.9	5.8	6.4	.6
Foreign	10.6	11.6	10.9	− .7
World	16.5	17.4	17.3	− .1

[1] Includes vegetable, animal, and marine oils. Vegetable oil production calculated on the basis of assumed extraction rates applied to that portion of each crop available for crushing and/or export and not actual crushings. Northern Hemisphere crops harvested in the second half of 1977 are combined with estimates of Southern Hemisphere crops harvested in the first half of 1978.

Brazil's Poultry Boom Fades In Aftermath of Drought

The prolonged drought in southern Brazil has begun to have an impact on the country's poultry industry, whose heretofore rapid-fire expansion may slow this year to only half the 1977 pace. Expansion in broiler meat exports likewise will be considerably below the 67-percent advance recorded between 1976 and 1977.

Price gains for domestic feeds in the aftermath of drought-induced reductions in corn and soybean crops have curbed producer interest in expanding their poultry flocks. As a result, growth in total poultry meat output will be about half the 14.5 percent recorded in 1977. That year, total poultry meat output hit a new high of 691,000 metric tons, with broiler meat accounting for 632,000 tons of this.

Exports of broiler meat are expected to rise to 40,000 tons from the 32,829 tons of 1977. However, this gain will be well off the more than 13,000-ton increase recorded during 1977.

Despite this slowdown, Brazilian poultry meat exports appear likely to grow rapidly in the years ahead, given the country's emphasis on expanding output and on retaining more soybean meal and corn for use by domestic poultry producers. Among the benefits the Government extends to broiler exporters is a 15-percent tax credit applied to the f.o.b. value of export sales.

Wholesale prices for broiler meat, meanwhile, continue well above year-earlier levels. As of March 1978, broiler meat was wholesaling domestically for the equivalent of US$1.08 per kilogram, compared with 89 cents in March 1977. And further gains are likely if poultry feed prices advance as predicted.

(See *Foreign Agriculture*, April 10, 1978, for an analysis of recent changes in Brazil's poultry industry.) □

Brazil's Broiler Meat Exports, 1976-77

[In metric tons]

Destination	1976	1977
Kuwait	10,253	16,441
Saudi Arabia	1,338	3,883
United Arab Emirates	3,161	5,926
Iran	2,232	0
Iraq	0	2,200
Oman	446	895
Libya	0	1,200
Japan	956	213
Nigeria	30	1,150
Syria	1,120	0
Others	100	921
Total	19,636	32,829

Source: Bank of Brazil/CACEX.

Mexican Agriculture And Economy Improve Slightly In 1977

Increases in cotton, soybean, and livestock output, as well as higher coffee values, helped to boost Mexico's agricultural economy in 1977. Mexico also enjoyed a gain in export quantities of three of its largest agricultural export items—tomatoes, livestock, and meat. Exports of these items are expected to continue to be favorable in 1978 as well, with the United States continuing as a top market for Mexican farm products.

Mexico's agricultural economy improved in 1977, led by gains in cotton, soybean, and livestock production, along with increased values for coffee.

Export quantities of three of the largest agricultural export items — tomatoes, livestock, and meat—were all above 1976 levels. Wheat production declined by 30 percent, while other grains were generally stagnant.

The value of Mexican agricultural exports was higher for 1977 than for 1976 as a result of the higher value of coffee, cattle, meat, and tomato exports. U.S. trade data for January-December 1977 showed agricultural imports from Mexico at $1.013 billion, up 42 percent from the 1976 level. U.S. agricultural exports to Mexico increased as well—up 80 percent in value to $666.4 million, compared with $370 million in 1976.

Based on a report from Donald M. Nelson, U.S. Agricultural Attaché, Mexico City.

Normally, 70-75 percent of Mexico's agricultural exports is destined for the United States. Through the third quarter of 1977, Mexican coffee exports to the United States were $18 million higher than those in the same period of 1976.

For January-November 1977, the value of U.S. imports was higher for fresh vegetables, fresh fruits, and leaf tobacco, but lower for honey. A study by one of Mexico's largest banks predicted an agricultural trade surplus of $791 million for 1977.

Although economic growth for calendar 1977 is officially placed at only about 2.8 percent, the efforts of the Lopez Portillo Administration have resulted in increased confidence and improved economic stability. The aftermath of the August 31, 1976, devaluation continued to have an impact on all sectors of the economy throughout the year, although on a declining scale.

On the positive side, the current account deficit was reduced, some of the capital that left during 1976 has returned, and industrial output appeared to be on the rebound for the last half of 1977.

Mexico's trade balance improved significantly during 1977, with exports increasing by 58 percent over 1976 levels to $4.0285 billion, and imports up 20 percent over the 1976 amount to $5.447 billion.

On the export scene, a sizable portion of the increase can be attributed to increased value and quantity of exports of crude petroleum and fresh and processed fruits and vegetables, along with higher value for coffee exports.

The return to normal levels of industrial output and restraint in the labor sector regarding wage increases were also positive factors for the economy. Because of the renewed confidence and petroleum reserves, both private and international financial institutions have reassured Mexico that credit lines will remain open.

Private Landholders Have Greater Confidence

Agricultural performance in 1978 was expected to show improvement over that of 1977, primarily as a result of a greater degree of confidence on the part of private landholders to invest in short-term production increases and because the Government of Mexico has assigned a high priority to agricultural production in the 1978 budget.

However, as a result of the continued lack of precipitation in northern Mexico, the outlook for summer and fall crop production is less propitious.

Trade in agricultural products in calendar 1978 should once again show Mexico exporting more than it imports, but the surplus is not likely to be as large as in 1977, principally because of an expected decline in the value of coffee exports and a decline in the quantity of tomato shipments.

Although Mexico has been allocated a sugar quota under the International Sugar Agreement and production will be higher this year than in 1977, no significant exports are anticipated for 1978.

Only part of the State of Sinaloa has been planted to cotton, and reduced plantings are anticipated for 1978. Safflower production likely will be close to that of 1977.

Agricultural outturns in 1977 had a mixed year, although production was generally better than that of 1976. A summary of commodity production for 1977 follows:

Grain and feed. With the exception of wheat, output of which declined sharply from 3.35 million metric tons in 1976 to 2.35 million in 1977, overall grain and feed production was stagnant or showed very slight gains for 1977/78.

While lack of rainfall at crucial periods was a major factor, the squeeze on rural credit and the somewhat uncertain mood that prevailed during the first half of 1977 were elements that also impacted on or influenced production decisions.

Corn production gained slightly—from 9.6 million tons in 1976 to 9.7 million in 1977. Rice (milled) output was 380,000 tons in 1977 (compared with 330,000 tons in 1976).

Sorghum outturn rose slightly to 3.4 million tons in 1977, compared with 3.2 million in 1976.

Dry bean output increased in 1977 to 1.15 million tons, compared with

1.08 million a year earlier. Dry bean area for 1978 has been increased. The effects of the drought on the current crop cannot be assessed at the present time.

Many Factors Boost Oilseed Output in 1977

Oilseeds. Soybean production rose 79 percent in 1977 to 490,000 tons, compared with 280,000 tons in 1976, owing to high domestic prices, assurance of high domestic demand, and sufficient irrigation water capacity. Larger safflower production resulted for similar reasons.

Cottonseed production rose as a result of the rise in the international price for cotton during 1976 that influenced cotton producers to increase plantings. Cottonseed output for 1977 increased 53 percent to 590,000 tons, compared with 386,000 tons a year earlier.

Coffee. Dry weather and the cyclical nature of coffee production resulted in a 12-percent decline in output for 1976/77 to 3.7 million bags (60 kg each) from earlier crop estimates.

Because of the high international coffee price during most of 1976/77, exports were sizable, with the result being a reduction in domestic consumption.

Exports of green coffee were about 2.35 million bags, with roasted and other coffee reaching 135,000 bags. Although exports declined for 1976/77 in relation to 1975/76, ending stocks for 1976/77 fell by 7 percent and consumption by 11 percent.

Coffee production in 1977/78 is expected to reach 3.8 million bags, as recent reports claim that continued dry weather has limited new budding. Coffee exports for 1977/78 are expected to reach 2.2 million bags (green basis).

Cotton. Despite dry weather in Tapachula and Chiapas and larger-than-normal insect damage in Apatzingan and Michoacan, raw cotton production for 1977/78 returned to normal levels and reached 1.58 million bales (480 lb net)—57 percent more than in 1976/77.

The increase in output resulted from a 56 percent increase in harvested area.

Domestic consumption of cotton is expected to return to the more normal levels of previous years in 1977/78 and reach 725,000 bales—4 percent greater than a year earlier. The domestic textile industry remains in a depressed state, owing to strikes and high input costs.

The outlook for cotton production in 1978/79 is for lower output possibly to 1.36 million bales, owing to a sizable reduction in planted area. Cotton production will be heavily influenced by the movement of prices for export.

Fruits and vegetables. Government reports indicate 1977 horticultural production rose 21 percent in value over that of 1976. The National Union of Horticultural Producers (UNPH), reported October 1976-September 1977 exports of fruits and vegetables at 978,744 tons—16 percent above the previous season's total.

Total 1977 pineapple output was reported at 475,000 tons—8 percent greater than a year earlier. Exports were estimated at 20,000 tons of fresh fruit and 25,000 tons of canned fruit. The United States is the major market for this fruit.

Production of processing tomatoes was estimated at 250,000 tons, 47 percent above the short 1976 crop of 170,000 tons. Weather was reported favorable and crop quality was excellent.

Mexican exports of tomato products were up considerably over those of 1976. U.S. import statistics for calendar 1977 indicate imports of Mexican tomato paste and sauce at 11,040 tons—almost double the level of 1976.

The UNPH reports an excellent 1976/77 export year for Mexican fruits and vegetables. Major export commodies were: Tomatoes (419,189 tons), cucumbers (111,710 tons), melons (101,140 tons), watermelons (72,181 tons), peppers (53,269 tons), frozen strawberries (51,191 tons), onions (38,390 tons), and squash (33,324 tons). The United States is the only significant market for these items.

Dairy and poultry. Both dairymen and poultrymen reported a severe profit squeeze throughout much of 1977. Mexican imports of dairy breeding animals were larger than in 1976, reflecting the country's deficit production position and purchases for the Tizayuca facility, part of the program to move dairy farms out of metropolitan Mexico City.

U.S. exports of dairy breeding cattle to Mexico in calendar 1977 were over 25,000 head.

Fluid milk production for 1977 was estimated at 6.8 million tons.

Poultrymen cited rising costs in their quest for an increase in the official ceiling price for eggs. Egg output in 1977 was estimated at 8.1 million eggs and broiler production at 240,000 tons.

Current 1978 forecasts place egg and broiler production at 8.5 million eggs and 245,000 tons, respectively.

Livestock. As of January 1, 1978, Mexico's cattle population totaled 28.8 million head. Total breakdown is estimated at 15.7 million beef cattle, 10.3 million dairy cattle, and 2.8 million work animals.

Actual Mexican live cattle exports in 1977 totaled 550,000 head and exports are forecast to be about 641,000 head in 1978.

Mexican exports of fresh, chilled, and frozen beef to the United States in 1977 under the voluntary restraint agreement were 27,259 tons (product weight); in 1978, exports are forecast at 28,622 tons. Mexican exports of beef to the United States subject to the U.S. Meat Import Law this year are running ahead of those of last year. U.S. Customs data indicate exports as of May 20, 1978, totaled 12,840 tons, compared with 11,344 tons during the same period last year.

Total Mexican beef and veal production in 1977 is placed at 1.04 million tons (carcass-weight equivalent) and is expected to be about the same in 1978.

Drought Continues In Northwest

Severe drought conditions continue in the northwest Mexican States of Coahuila, Nueva Leon, Tamaulipas, and parts of Chihuahua.

The weather is hot and many ponds have dried up; water levels in wells have dropped also. Some ranchers reportedly have been selling heifers and calves to cattlemen in other areas or to meat packers. Ranchers were anxiously awaiting the first rains of the season.

Meanwhile, in tropical southern States such as Veracruz and Tabasco pasture conditions have been excellent.

Sugar. Production of sugarcane in 1977 rose slightly to 30 million tons, compared with 29.9 million in 1976. □

U.S. Soybean Exports To France Hit Record; Brazil Tops in Meal

With reduced oilseed production, France's imports of U.S. soybeans rose to a record level in calendar 1977 as the Brazilian market share slipped sharply, but Brazil replaced the United States as the top soybean meal supplier to France—and the world.

Despite an expected recovery in French oilseed output in 1978, the combination of the record 1977 U.S. soybean crop and tumbling estimates of the 1978 Brazilian soybean harvest and eventual exports should strengthen the U.S. position as the dominant supplier of soybeans to France. Brazil is expected again to be the leading supplier of soybean meal to France.

French imports of soybeans and products have risen in recent years despite national efforts toward "protein independence" through developing an indigenous soybean crop and raising oilseed production while reducing imports of protein feeds.

With per capita meat consumption also on the increase, France remains an important market for U.S. soybeans and meal—the fifth largest in Western Europe. Last year, French imports of U.S. soybeans jumped 55 percent to nearly a half million metric tons and could rise even higher in 1978.

The opening of a new soybean crushing plant at Brest-Soja (see box) in late 1976 almost doubled France's crushing capacity, upping it to about 1 million tons. The plant, however, has operated at only a little more than half capacity, partly because of competition from low, subsidized prices of Brazilian soybean meal during 1977. As a result, Brazil for the first time dominated the French soybean meal market in 1977—reversing roles with the United States.

The U.S. share of French soybean and meal imports, on a soybean meal equivalent basis, dipped from about 50 percent in 1976 to about 28 percent last year as the severe decline in France's imports of U.S. meal was not offset by the sharp increase in imports of U.S. beans.

Worldwide, though, the United States continued to be the leading producer and shipper of soybeans with exports of 16.2 million tons in calendar 1977 vis-a-vis 2.6 million tons from Brazil. Last year, however, Brazil became the world's largest soybean meal exporter with shipments of 5.4 million tons, compared with 4.2 million from the United States.

Brazil's achievement resulted in part from an export policy that encourages exports of meal at the expense of soybeans. Under pressure from the European Community (EC), Brazil has agreed to let its export tax on soybean meal rise gradually to 11 percent of f.o.b. value by November 1978, compared with the 5-percent tax prevailing last November. This increase could benefit U.S. exports of soybean meal to France and its fellow EC countries.

France suffers from a large deficit of vegetable oils and meals. So far, France has been a very small market for soybean oil because of consumer demand for other vegetable oils. The French housewife prefers an oil that can be used for both cooking and salads and, at the moment, soybean oil is used only as a salad oil. As a result, sales have lagged behind expectations.

In a joint market development effort, the Foreign Agricultural Service and its cooperator, the American

Based on reports from John J. Reddington, Oilseeds and Products, Foreign Market Development; Office of U.S. Agricultural Attaché, Paris; and Oilseeds and Products Division, FAS.

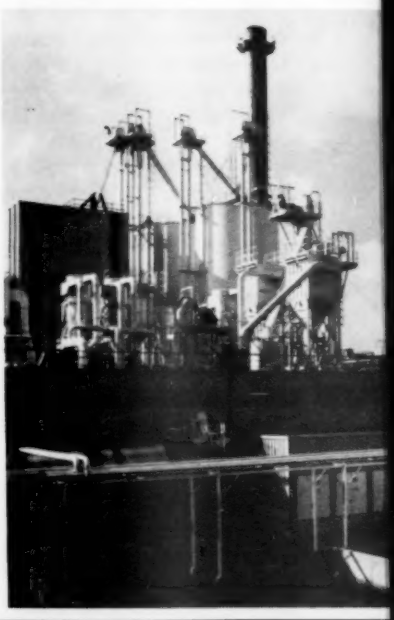
New Brest Plant Boosts Soybean Capacity

Located in the highest soybean-meal consumption area of France, the Brest-Soja crushing plant (right) raised the country's oilseed crushing capacity nearly twofold when it commenced operations in October 1976. Already, another boost to French crushing capability is on the way. Construction of a new plant in Bordeaux began in mid-March, with a scheduled factory startup set for July 1979.

The Brest-Soja plant is in Brittany, France's largest meal-consuming Province, and has a crushing capacity of 450,000 metric tons. Most of the soybean meal crushed at Brest is bought by poultry and swine producers within a 500-kilometer area of the plant. The ultramodern plant has a storage capacity of 30,000 tons of soybeans, 4,000 tons of soybean meal, and 6,000 cubic meters of soybean oil.

At present, there is no rail system leading to the facility, so shipments move by trucks. Most of the plant's machinery was purchased from the United States; other major suppliers were West Germany and the Netherlands.

The new plant in Bor-



New soybean crushing plant at Brest-Soja opened in 1976 and almost doubled France's crushing capacity.

Soybean Association, have initiated plans for fiscal 1978 to encourage the crushing industry and consumers to use soybeans and products more efficiently. To accomplish this, ASA is planning to conduct a broad range of technical, informational, and educational activities. With its marketing efforts increasing in France, ASA has established a consultant in Paris to supervise the market development program.

For the fourth time in the last 5 years, France's soybean imports grew, rising 8 percent to 549,000 tons in 1977. Meanwhile, total meal imports slipped slightly to 1.71 million tons from a record 1.72 million in 1976—only the second decline in the past 6 years. France's total soybean oil imports of 90,600 tons in 1977 were slightly below the 1976 level.

According to French data, France's purchases of U.S. soybeans advanced from 322,085 tons in 1976 to 498,971 tons last year to top the previous high of 489,112 tons in 1974. Meanwhile, imports of Brazilian beans, which had peaked at 99,594 tons in 1974, fell 66 percent from 1976's level of 113,000 to only 37,000 last year. The respective market shares of U.S. versus Brazilian soybeans were 91 and 7 percent last year, compared with 78 and 22 percent in 1976.

A different pattern, however, emerged in the French soybean meal market as Brazil's share expanded for the second year in a row at the expense of the United States. The Brazilian market share went from 24.9 percent in 1976 to 53.6 percent in 1977 while the U.S. share shrank from 43.5 percent to just 12.2 percent during the same period.

Brazilian export data show French purchase of Brazilian soybean meal for the period January-November 1977 at 514,000 tons, compared with 278,200 tons in 1976 and 185,032 tons in 1975.

U.S. exports of soybean meal to France tumbled about 81 percent to 113,111 tons, compared with 590,283 tons in 1976 and 745,000 tons in 1975.

In 1974, France imported a record 1,021,683 tons of U.S. soybean meal while taking only 55,895 tons from Brazil. The U.S. share of France's meal imports in 1978 will depend mostly on price and supply competition from Brazil.

Direct consumption of rapeseed oil—produced from the country's largest domestic oilseed crop—is not expected to recover significantly until 1980, despite efforts by the fats and oils industry to counteract the erucic acid scare among French consumers.

Sunflowerseed oil enjoys a good reputation in France, but production is increasing slowly because varieties are not adapted to general cultivation throughout the country. France's total oil imports declined moderately from 631,314 tons in 1976 to 615,336 last year, largely as a result of import decreases of 36 percent in copra oil and 28 percent in castor oil.

Imports of soybean oil and peanut oil remained fairly stable last year and accounted for about one-sixth and one-third, respectively, of all imported oils. Sunflower oil purchases rose 23 percent and also accounted for about one-sixth of 1977's oil imports.

France's soybean meal consumption in 1977 rose 28,000 tons to 2.2 million. Another advance seems likely in 1978 in order to meet the growing demand of the country's hog and poultry sectors. In addition, consumer consumption of all meats has been climbing with the most rapid rise occurring in poultry meats.

Poor yields helped hold French oilseed production in 1977 to only 460,000 tons, the lowest in recent years. This output compares with 618,000 and 619,000 in 1976 and 1975, and 727,000 in 1974. The decline resulted from reduced rapeseed and linseed outturns while the sunflowerseed output was only about average. This year, however, French farmers — benefiting from favorable producer-price increases from the EC Commission and recent devaluations of the green franc —should produce a combined oilseed output of about 600,000-620,000 tons, assuming normal weather.

France's 1977 rapeseed crop is estimated at 376,000 tons, a sharp downturn from the 538,300 tons of 1976 and well below the 1971-75 average of 670,000 tons. Frost damage at Easter followed by excessive rainfall combined to lower yields considerably. The 1978 projections: 510,000-550,000 tons.

Reduced sunflower plantings last year led to a modest outturn of 69,000 tons of sunflowerseed, up about 6,000 tons from 1976's but far short of the 1975 record of 99,200 tons. Linseed production last year was only 13,500 tons, less than half the 1975 record of 31,580 tons, while the soybean output trailed downward to just 1,250 tons, compared with the 1974 high of 5,380 tons. The 1978 projections: Sunflowerseed, 65,000 tons; linseed, 6,700; and soybean, 1,550. □

deaux will have a crushing capacity for 300,000 tons of soybeans, 170,000 tons of rapeseed, and 30,000 tons of sunflowerseed.

This year, an upturn may occur in France's compound feed production. Rising only 1.5 percent to 12.5 million metric tons last year production should rebound as a result of growing demand for protein meal from increased feeding in the swine and poultry sectors. □

EC Increases NFDM Food Aid

The European Community (EC) plans to donate 150,000 metric tons of nonfat dry milk (NFDM) and 45,000 tons of butter oil in food aid during 1978. This is a 43 percent increase from last year's NFDM commitment, but no change in the level of butter oil. Major recipients include India, Bangladesh, Egypt, Pakistan, Vietnam, and several major relief agencies.

As part of this aid, the EC has agreed to donate to India an average of 31,000 tons of NFDM and 12,000 tons of butter oil annually for the next 6 years. □

Egg Sector Boosts Dutch Poultry/Egg Export Values in '77

Despite tough competition from other European Community (EC) members, Dutch poultry and egg exporters were able to boost the value of their exports by benefit of subsidies in calendar 1977 to over $700 million, helping the Netherlands remain the largest poultry exporter in the world. However, for 1978, a decline in exports is projected, with consequent pressure on prices and mounting stocks.

The 1977 gain was accomplished as a result of a 6-percent rise in export volume, as the average value remained unchanged from that of 1976. However, the egg sector supplied the growth for exports in 1977 and this may be a turning point for the egg sector.

Dutch production of all poultry meat in 1977 is preliminarily placed at 341,000 metric tons—1.3 percent greater than that of 1976. Higher output occurred only in broilers (up 2.8 percent), while production of other types of poultry meat dipped from 1976 levels.

Poultry meat exports stagnated in 1977 and for the first time in a decade, higher poultry meat production was absorbed primarily by the domestic market.

During 1977, the Dutch lost ground in their major export markets such as West Germany and Iran. Heavy volume exports of poultry meat to the USSR prevented an oversupply crisis, but shipments were not very profitable.

With the outlook for poultry meat exports in 1978 looking more gloomy, Dutch producers will be forced to make adjustments in production, primarily during the second half of 1978. A strong tendency toward higher output of parts, together with concentrated market promotion activities, are expected for this year.

Egg producers, on the other hand, had a good year in 1977. While there was a 7-percent increase in production, exports of both fresh eggs and egg products were up 15 percent in 1977 over 1976 levels. Producers also benefited from higher prices.

Spurred by these successes, hatcheries/producers stepped up hatchings by well over 15 percent in 1977. Thus far in 1978, egg exports are going rather well, but this trend may level off or even turn downward later in the year. This could result in depressed prices and a consequent heavy culling of laying hens.

The total value of Dutch poultry meat exports in 1977 was $344.2 million. Broilers and parts made up by far the largest category of exports —190,400 tons (ready-to cook—RTC—basis).

Major EC destinations for these exports in 1977 (estimated) with 1976 exports in parentheses were: West Germany 169,000 tons (172,000); Belgium/Luxembourg 4,100 tons (5,000); France 3,100 tons (2,000); the United Kingdom 2,500 tons (600); and Italy 200 tons (400).

Major customers for Dutch whole birds and parts outside the EC in 1977 (with 1976 tonnages in parentheses) were USSR 18,300 tons (10,700); Iran 1,800 tons (8,700); Saudi Arabia 3,500 tons (1,900); other Mideast countries 2,900 tons (1,600); Singapore 2,200 tons (2,100); Hong Kong 1,900 tons (1,700); New Caledonia 500 tons (1,100); African countries 800 tons (800); and other countries 3,600 tons (3,400). Exports outside the EC have been maintained or expanded by subsidization.

Incubation data for hatching eggs for broilers through February 1978 indicate that broiler production during the first 4-5 months of 1978 was slightly over 1 percent higher than that in the same period of 1977. This means a higher broiler supply of between 2,900 and 3,000 tons (RTC weight) than during the same period of 1977.

However, exports of broiler meat in January and February 1978 were about 31,-200 tons—almost 10 percent lower than in the corresponding period of 1977.

Many factors contributed to this development. Dutch exporters have lost important contracts on broilers to Iran and are losing ground in the very important West German market.

In addition, the USSR has not purchased any broiler meat from the Netherlands thus far (compared with a purchase of 4,900 tons at this point during 1977).

Stocks of poultry meat, which are already high, are mounting even further; prices are weak, and the Dutch poultry industry is in serious financial difficulty.

Immediate prospects are rather dim considering that surrounding countries—West Germany, France, and Italy are stepping up their broiler hatchings.

Given the above situation, it is expected that Dutch broiler production in 1978 will fall about 2.5 percent below that of 1977 and exports may well be about 1.5 percent less than last year.

The situation for Dutch egg producers, for the short term, is a bit more optimistic. Encouraged by successes in 1977, egg producers have increased hatchings, but so have surrounding EC-member countries. As a result, it seems likely that sooner or later the Dutch may be in a situation of tremendous oversupply, particularly as exports to Iran, one of the top export markets in 1977, are significantly lower thus far into 1978.

During the first 2 months of 1978, significant gains in exports of Dutch eggs to West Germany, France, and Italy were recorded (but at prices 15-20 percent lower than those during the same period of 1977.) Lower export prospects for egg shipments to Iran depressed prices and the Dutch were able to export more to surrounding countries.

However, trends are such that production of eggs in countries surrounding the Netherlands will pick up soon with further adverse effects on Dutch egg prices.

It seems inevitable that strong pressure for high export subsidies for eggs, egg products, as well as for higher export subsidies for broilers, will be put on the EC Commission in order to increase exports of these

Based on a report from James A. Hutchins, Jr., U.S. Agricultural Attaché, The Hague.

products to non-EC countries.

Exports in the egg sector in 1977 increased by over 10 percent for the second consecutive year. Fresh egg exports were up 11.6 percent in volume to over 2.502 billion eggs. Major destinations in the EC included West Germany (2.13 billion), France (80.9 million), Belgium/Luxembourg (21.6 million), the United Kingdom (9.6 million), and Italy (700,000). Major non-EC destinations for fresh egg shipments were Iran, the Allied Forces in the EC, and Austria.

Exports of hatching eggs in 1977 amounted to over 146.2 million eggs. France, Belgium, as well as Libya, Saudi Arabia, and other Mideastern countries were responsible for the higher Dutch exports.

Exports of egg products in 1977 amounted to 29,975 tons—over 23 percent greater than those of 1976. Nearly 85 percent of the 1977 exports of egg products were shipped to EC countries, but exports to Switzerland, Austria, and other non-EC West European countries also rose last year. □

World Coffee Crop in '78/79 To Be Up By 9 Percent

The first USDA estimate of the 1978/79 world coffee crop is for a total production of 74.6 million bags (60 kilograms each). This is an increase of 6 million bags, or 9 percent, above the 1977/78 outturn and is 14 million bags above the low 1976/77 crop. Based on past performance, the chances are two out of three that the first estimate of total production is not likely to vary more than 3.3 percent from the final outturn for the year.

Exportable production, which represents total harvested production less domestic consumption in producing countries, is estimated at 56.3 million bags for 1978/79, and compares with 51 million bags for 1977/78.

About 40 percent of the total increase in 1978/79 is in Brazil, where production is estimated at about 20 million bags. This is lower than earlier expectations, since extended drought during the growing season reduced bean size in some areas. Output in most of Central America and Mexico is expected to improve over relatively poor harvests in 1977/78. Colombia's production is forecast to exceed 10 million bags for the first time. In the Ivory Coast, the major producer in Africa, yields should largely recover from the drought that sharply reduced the 1977/78 crop.

Total production estimates by area and principal producing countries for 1978/79 (with 1977/78 estimates, as revised, and in parentheses) are as follows, in 1,000 bags:

North America. 14,973 (13,957)—Costa Rica 1,600 (1,555); Dominican Republic 850 (1,000); El Salvador 2,700 (2,000); Guatemala 2,500 (2,250); Honduras 1,000 (1,134); Mexico 4,000 (3,750); Nicaragua 975 (925).

South America. 33,819 (31,034)—Brazil 20,000 (17,500); Colombia 10,100 (9,800); Ecuador 1,600 (1,474); Peru 1,100 (1,050); and Venezuela 867 (1,058).

Africa. 19,362 (17,099)—Angola 1,500 (1,400); Cameroon 1,667 (1,583); Ethiopia 1,900 (1,900); Ivory Coast 5,000 (3,333); Kenya 1,617 (1,283); Madagascar 1,200 (1,200); Tanzania 900 (850); Uganda 2,600 (2,600); and Zaire 1,333 (1,333).

Asia and Oceania. 6,460 (6,485)—India 2,092 (2,008); Indonesia 2,900 (2,953); Philippines 600 (602); Papua New Guinea 633 (617).

CITRUS SERIES REPRINTS AVAILABLE

Reprints of the series of *Foreign Agriculture* articles on citrus production by major Mediterranean and South African producers will be available soon. The articles on Italy, Israel, Spain, South Africa, and Morocco will appear in a single reprint. Copies may be obtained by writing FAS Information Services, Room 5918-S, USDA, Washington, D.C. 20250. Persons already on the citrus circular mailing list will automatically receive a copy of the reprint.

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Trade Teams — July

FOREIGN TEAMS IN THE UNITED STATES

Date	*Organization*	*Visiting*
July 5-20	U.K. Wheat Trade Mission	N. Dakota, Louisiana, Minnesota, Kansas, Washington, D.C.
July 9-20	Latin American Human Nutrition Team	Illinois, Minnesota, Washington, D.C.
July 10-31	Korean Flour Millers	Oregon, Idaho, Washington, N. Dakota, Minnesota, Illinois, Washington, D.C.
July 15-26	Japanese Meat Trade Team	California, Colorado, Illinois, Texas, Washington, D.C.
July 22-Aug. 5	Egyptian Wheat Trade Mission	Colorado, Kansas, Ohio, Illinois, Washington, D.C.

International Meetings — July

Date	*Organization and location*
3-4	OECD Working Party, dairy and dairy products, Paris.
10-12	OECD Joint Working Party, agriculture and trade, Paris.
10-14	Sixth UNCTAD Intergovernmental Committee meeting, integrated program on commodities, Geneva.
11-14	ECE Working Party, standardization of perishable produce, Geneva.

EC Extends Duty Measures On Farm Product Imports

Temporary EC (European Community) duty reductions or suspensions for a number of agricultural products, including frozen blueberries (Ex 08.10A), frozen cranberries (Ex 08.10B), dates (Ex 08.01A and 08.10B), and dried white beans (Ex 07.05BI) have been extended until June 30, 1979, They were to expire June 30, 1978.

Duties on frozen cranberries and frozen blueberries will continue for another year at 0 and 4 percent, respectively. Fresh or dried dates in containers of under 35 kilograms, to be repacked for the retail trade; dates intended for processing, except into alcohol; and frozen dates in containers of under 5 kilograms also will be allowed into the ECC duty-free until July 1979.

U.S. dried dates worth more than $2.5 million were exported to EC countries in 1977. Shipments of frozen berries (other than strawberries) from the United States to the EC were valued at $646,000 in 1977.

The United States exported more than $16 million worth of white field beans to the EC in 1977, 55 percent more than in 1976. The most important item in this category was navy beans, with more than half the volume going to the United Kingdom.

Other agricultural commodities receiving extensions of special tariffs include dried, sweet red peppers, zero duty, and mushrooms, other than cultivated varieties, also zero duty. Fisheries products covered are mainly varieties intended for processing, but listed as well are fresh and frozen salmon (zero duty), salted salmon (4 percent), certain oysters (zero duty), and crabs (zero and 5 percent). □